

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6344

BILL NUMBER: HB 1149

NOTE PREPARED: Dec 18, 2008

BILL AMENDED:

SUBJECT: Sales Tax Holiday.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
☐ FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a Sales Tax exemption for any item purchased at retail with a sales price of \$1,000 or less during a two-day period each year beginning on the second Saturday of August.

Effective Date: April 1, 2009 (retroactive).

Explanation of State Expenditures: Implementing the Sales Tax exemption provided in this bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, procedures, and rules, as well as update computer software.

Explanation of State Revenues: *Summary* -The Sales Tax exemption provided in this bill will decrease state Sales Tax collections by between an estimated \$15.6 M and \$46 M in FY 2010 and between \$16.2 M and \$46.2 M in FY 2011. This estimate assumes that there will be a shift in taxable sales to the exemption period provided in the bill from days falling outside the exemption period. The assumption is that up to 7 days worth of taxable sales could be shifted to the 2-day exemption period. The low range of this estimated impact represents the estimated average daily Sales Tax collections for the 2-day exemption period.

In addition to the decrease in Sales Tax collections estimated above there will be an indeterminable decrease in collections due to the retail sales of any motor vehicles with a taxable selling price below \$1,000. The number of motor vehicles that will be sold at retail below \$1,000 is indeterminable and will depend on the amount of any dealer discounts and other factors.

The table below shows the impact on the various funds included in the Sales Tax distribution.

IMPACT ON FUNDS (in millions)		No Shift		7-Day Shift	
Fund	Distribution	FY 2010	FY 2011	FY 2010	FY 2011
State General Fund	99.178%	(\$15.44)	(\$16.02)	(\$45.66)	(\$45.79)
Public Mass Transportation Fund	0.670%	(\$0.10)	(\$0.11)	(\$0.31)	(\$0.31)
Industrial Rail Service Fund	0.029%	(\$0.005)	(\$0.005)	(\$0.01)	(\$0.01)
Commuter Rail Service Fund	0.123%	(\$0.02)	(\$0.02)	(\$0.06)	(\$0.06)
Total	100%	(\$15.57)	(\$16.16)	(\$46.04)	(\$46.17)

Sales Tax Collections will decrease from sales that are shifted into the exemption period from a period when the items would have been taxable. There could be an offsetting impact on business income tax collections if the sales occurring during the exemption period are sales that would not have otherwise occurred (e.g., if people purchase more than they would have purchased otherwise or if out-of-state residents come into the state to purchase items they otherwise would not have purchased in Indiana).

Background Information -The bill provides a Sales Tax exemption for any tangible personal property sold at retail in a retail transaction during the time period beginning at 12:01 a.m. of the second Saturday of each August and ending at 11:59 p.m. of the following Sunday. Therefore, despite the April 1, 2009, effective date, the first impact on Sales Tax collections will not occur until FY 2010.

The statutory definition of tangible personal property includes any “personal property that: (1) can be seen, weighed, measured, felt, or touched; or (2) is in any other manner perceptible to the senses. The term includes electricity, water, gas, steam, and prewritten computer software.” However, the estimate above does not include a shifting of any sales of utilities due to the assumption that utility companies will bill and supply their retail consumers in the same manner as any other two-day period during the year.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: All.

Information Sources: U.S. Department of Labor, Bureau of Labor Statistics, *Consumer Expenditure Survey*, <http://www.bls.gov/cex/>.

Fiscal Analyst: Diana Agidi, 317-232-9867.